Commercial / Light Industrial Property Analysis

West Auckland - early underwriting screen based on limited information

Short verdict

At an asking price of $750,000, the deal is worth investigating only if the $6,000/month income is real rent, excluding GST, and the lease/outgoings documents show that landlord expenses are controlled. The safest debt range on the current assumptions is 30% to 40% LVR. At 50% LVR, the deal only looks comfortable if true owner-paid OPEX is close to 25%.

Item	Working assumption
Asking price	$750,000
Current income	$6,000/month, assumed excluding GST
Gross annual income	$72,000
Property type	Commercial / light industrial, 2 units or workshops
Debt model	7.5% interest, 15-year principal-and-interest
Stress model	9.0% interest, 15-year principal-and-interest
Main unknown	True landlord-paid OPEX and lease/outgoings structure

Important: this is not a valuation, lending approval, tax opinion, legal opinion, or final due diligence report. It is a first-pass decision document to decide whether the property is worth deeper investigation.

1. Why this analysis tests OPEX and LVR

The property currently has limited available information. That means the analysis should not rely on one optimistic case. Instead, it tests the two variables most likely to change the answer: operating expenses and debt level.

What we test	Why it matters
OPEX at 25%, 35%, and 45%	This shows how the deal performs if landlord-paid costs are low, normal, or high. In commercial property, outgoings can change the whole result.
30%, 40%, and 50% LVR	This shows how much debt can be used before the property stops safely covering itself. More debt lowers cash required but increases risk.
Principal-and-interest repayments	This is more conservative than interest-only because it includes debt reduction. It shows whether the asset can carry real loan payments.
9% interest stress test	This checks whether the deal survives if rates, lender margin, or refinancing conditions are worse than expected.
Price sensitivity	This shows the approximate purchase price where the deal starts to make more sense under different expense and debt scenarios.

Glossary

Term	Plain-English meaning
LVR	Loan-to-value ratio. A 40% LVR on a $750,000 property means $300,000 debt and $450,000 equity before costs.
OPEX	Operating expenses. These are recurring property costs such as rates, insurance, repairs, management, body corporate/outgoings, vacancy allowance, and admin.
CAPEX	Capital expenditure. Larger, less frequent costs such as roof work, major electrical upgrades, drainage, compliance upgrades, seismic work, or major refurbishment.
NOI	Net operating income. Gross rent minus OPEX, before loan payments and tax.
DSCR	Debt service coverage ratio. NOI divided by annual loan repayments. A 1.25x DSCR means the property has 25% more NOI than the debt payment.
P and I	Principal-and-interest loan repayments. Each payment includes interest plus some repayment of the loan principal.

2. Market context and working assumptions

The working rent of $72,000/year appears plausible for a two-unit light industrial property, but only if it is true rent excluding GST and not a gross figure that already includes tenant outgoings. Current Auckland industrial data supports careful analysis rather than automatic confidence.

Market point	Why it matters for this property
Auckland industrial vacancy is still relatively low, but has risen.	Low vacancy supports letting demand, but rising vacancy means re-letting risk should not be ignored.
North-West / West Auckland vacancy appears higher than some other Auckland precincts.	This makes tenant quality, lease length, and re-letting assumptions important.
Commercial lending is usually more conservative than residential lending.	Banks often require more equity, stronger income coverage, shorter loan terms, and higher rates.
Auckland business rates are increasing.	Rates and recoverable outgoings must be checked, because they can materially change landlord OPEX.

Key assumption to verify first

The most important question is whether the $6,000/month is rent excluding GST and excluding recoverable outgoings. If the figure includes GST or includes outgoings, the net income may be materially lower than this model.

Base assumptions used in the model

Assumption	Amount / treatment
Purchase price	$750,000
Gross rent	$6,000/month or $72,000/year
GST	Assumed excluded from rent. GST treatment of purchase must be checked.
OPEX scenarios	25%, 35%, and 45% of gross rent
Debt levels shown	30%, 40%, and 50% LVR
Main interest rate	7.5%
Loan term	15 years, principal-and-interest
Minimum preferred DSCR	Around 1.25x where possible

3. Income before debt: what the property produces if bought outright

Before debt, the property is simply a rent-producing asset. The table below shows the estimated net operating income after landlord-paid OPEX, but before tax and before any loan payment.

OPEX scenario	Annual OPEX	Estimated NOI / year	Estimated NOI / month	NOI yield on $750k
25%	$18,000	$54,000	$4,500	7.20%
35%	$25,200	$46,800	$3,900	6.24%
45%	$32,400	$39,600	$3,300	5.28%

Outright purchase view

If bought with no debt, the property could produce about $3,300 to $4,500 per month before tax, depending on real OPEX. At 25% OPEX, the asset looks useful as a modest income producer. At 35% OPEX, it is acceptable but not exciting. At 45% OPEX, the yield is thin unless there is clear upside or strong recoverable outgoings.

What this means

The outright case is the cleanest risk profile because there is no lender repayment pressure. However, it also uses the most cash. The real question is whether using debt improves the overall outcome enough to justify the extra risk.

4. Deposit, debt, and estimated repayment load

This table shows the approximate debt and equity required at the selected LVR levels. The equity figure is before legal, valuation, finance, due diligence, GST timing issues, and reserve cash.

LVR	Debt	Equity / deposit before costs	Safer cash target*
30%	$225,000	$525,000	$555,000 to $585,000
40%	$300,000	$450,000	$480,000 to $510,000
50%	$375,000	$375,000	$405,000 to $435,000

LVR	Est. annual principal-and-interest repayment	Est. monthly principal-and-interest repayment
30%	$25,029	$2,086
40%	$33,372	$2,781
50%	$41,716	$3,476

*The safer cash target is a rough planning allowance only. It adds $30,000 to $60,000 for legal, valuation, due diligence, finance setup, and initial reserves. It excludes any GST cashflow or settlement-specific issue.

Debt read

30% LVR is the most comfortable debt case. 40% LVR is probably the practical upper range until the leases and OPEX are verified. 50% LVR can work only if the true landlord-paid OPEX is low and there are no major building or vacancy risks.

5. Cashflow after debt at 7.5% interest

This is the main operating table. It shows estimated annual and monthly surplus after OPEX and after principal-and-interest loan repayments. It also shows DSCR, which tells us how safely the rent covers the debt payment.

OPEX	NOI / year	30% LVR monthly surplus	40% LVR monthly surplus	50% LVR monthly surplus
25%	$54,000	$2,414	$1,719	$1,024
35%	$46,800	$1,814	$1,119	$424
45%	$39,600	$1,214	$519	-$176

OPEX	30% LVR DSCR	40% LVR DSCR	50% LVR DSCR
25%	2.16x	1.62x	1.29x
35%	1.87x	1.40x	1.12x
45%	1.58x	1.19x	0.95x

Reading the table

The safest cells are the ones where the monthly surplus remains positive and the DSCR is around 1.25x or better. A positive monthly surplus is not enough by itself. A thin surplus can disappear quickly if there is vacancy, a repair, a rent dispute, an insurance increase, or a higher refinancing rate.

Scenario	Interpretation
30% LVR	Looks comfortable in all three OPEX scenarios, but uses a large amount of equity.
40% LVR	Works well at 25% and 35% OPEX. At 45% OPEX, it is positive but below the preferred coverage margin.
50% LVR	Works at 25% OPEX, becomes thin at 35% OPEX, and turns negative at 45% OPEX.

6. Stress test and price guide

The stress test uses the same 15-year principal-and-interest loan, but lifts the interest rate to 9%. This is not a prediction. It is a safety test to see whether the property still holds up if lending terms are worse than expected.

OPEX	30% LVR monthly surplus	40% LVR monthly surplus	50% LVR monthly surplus
25%	$2,218	$1,457	$697
35%	$1,618	$857	$97
45%	$1,018	$257	-$503

Stress-test conclusion

At 9% interest, 50% LVR becomes very thin at 35% OPEX and negative at 45% OPEX. This is why the deal should not be treated as a safe 50% debt purchase until the rent, leases, outgoings, and building condition are proven.

Approximate price that makes sense with debt

The table below estimates the maximum purchase price needed to achieve about 1.25x DSCR at 7.5% interest over 15 years. It is a guide only, not a valuation.

OPEX	30% LVR max price	40% LVR max price	50% LVR max price
25%	$1,294,481	$970,861	$776,689
35%	$1,121,884	$841,413	$673,130
45%	$949,286	$711,965	$569,572

Plain-English price read

If true OPEX is around 25%, $750,000 can be defended even with moderate debt. If true OPEX is around 35%, the price is more comfortable below about $670,000 for a 50% LVR deal, though 40% LVR can still work at a higher price. If true OPEX is around 45%, the price should be materially lower unless there is strong upside or the OPEX assumption is overstating the landlord cost.

7. Key risks and due diligence checklist

This property should not be judged from headline rent alone. The decision should turn on lease quality, actual recoverable outgoings, tenant strength, building condition, title, zoning, and GST treatment.

Risk / question	Why it matters
$6,000/month may include GST	If GST is included, the true ex-GST rent is lower and the deal weakens.
$6,000/month may include outgoings	If tenant outgoings are included in the rent figure, true landlord net income may be lower.
Short or weak leases	The income may not be durable enough to support commercial debt.
Vacancy or slow re-letting	Industrial vacancy is still moderate, but West/North-West risk should not be ignored.
CAPEX	Roof, drainage, fire compliance, electrical, roller doors, asbestos, or seismic issues can wipe out years of surplus.
Bank valuation	If the bank values it below $750,000, lending and equity required may change.
GST on purchase	Commercial sales can involve GST rules. This must be checked before going unconditional.

Documents to request before any serious offer

- Current lease agreements for both units.
- Rent schedule showing rent excluding GST and outgoings.
- Full outgoings schedule for the last 2 to 3 years.
- Rates, insurance, water, body corporate or shared-cost invoices.
- Lease expiry dates, rights of renewal, rent review dates, and review method.
- Tenant arrears history and bond or guarantee details.
- Title, LIM, zoning confirmation, and permitted use.
- Building report, maintenance history, and any known defects.
- Fire compliance, building WOF, asbestos information, seismic/NBS if available.
- GST status of sale, including whether it is plus GST, inclusive of GST, or zero-rated as a going concern.

8. Final view

Decision summary

Proceed to information gathering, not a firm offer yet. The property could be a useful small commercial foothold if the rent is clean, the leases are strong, and most outgoings are recoverable. But at $750,000, the deal should not be treated as safe at 50% LVR until OPEX and lease quality are proven.

Debt level	Current view
No debt	Could produce about $3,300 to $4,500/month before tax, depending on OPEX. Lowest financial pressure but highest cash requirement.
30% LVR	Comfortable on the model, but requires about $525,000 equity before costs and reserves.
40% LVR	Probably the practical upper range until actual OPEX and lease strength are verified.
50% LVR	Only acceptable if OPEX is close to 25%, leases are strong, and no major CAPEX is hiding.

Bottom line

The whole deal turns on whether the rent is true net income or a gross number hiding costs. Before negotiating price, get the leases, outgoings, rates, insurance, GST position, and building condition evidence. If the evidence supports low landlord OPEX, the asking price may be discussable. If OPEX is closer to 35% to 45%, the price should come down or the debt level should stay conservative.

Sources checked for market and lending context

- JLL, Auckland Industrial Market Dynamics Q1 2026: https://www.jll.com/en-au/insights/market-dynamics/auckland-industrial

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- Squirrel, business owner and commercial lending information: https://www.squirrel.co.nz/mortgages/business-owners

- Global Finance, commercial loan guidance: https://www.globalfinance.co.nz/commercial-loans/

- Reserve Bank of New Zealand, retail lending and deposit rates data: https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/retail-interest-rates-on-lending-and-deposits

Prepared: 25 June 2026. All figures are rounded and should be re-run with verified lease and outgoings data.